

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SS-15 L-03 H-03 NSC-10 SPC-03 PA-03

PRS-01 USIA-15 CIAE-00 INR-10 NSAE-00 RSC-01 EB-11

COME-00 STR-08 OMB-01 FCSC-01 TRSE-00 SCS-03 SCA-01

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P 211315Z SEP 73

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC PRIORITY 5134

C O N F I D E N T I A L PRAGUE 2250

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CLAIMS NEGOTIATIONS

REF: PRAGUE 2208

1. DELEGATION BOTH SIDES CONCLUDED WORKING DISCUSSIONS AFTER FIVE SESSIONS. FOURTH PLENARY SESSION SCHEDULED FOR 3:00 P.M. ON SEPTEMBER 21.

2. DISCUSSIONS CENTERED AROUND GOC CHARGE THAT \$72.6 MILLION PRINCIPAL AMOUNT OF AWARDS ISSUED BY FCSC EXCESSIVE, INFLATED AND NOT REALISTIC.

3. ABOVE CHARGE MADE NOTWITHSTANDING THAT UP UNTIL DISCUSSIONS GOC TOTALLY UNAWARE OF (A) GENERAL PROVISIONS OF INTERNATIONAL CLAIMS SETTLEMENT ACT OF 1949; (B) SPECIFIC PROVISIONS OF CZECH CLAIMS ACT WHICH GAVE FCSC JURISDICTION TO ADJUDICATE CLAIMS OF US NATIONALS WHICH AROSE BETWEEN JANUARY 1, 1945 AND AUGUST 8, 1958; AND (C) LEGAL REASONING APPLIED BY FCSC IN DETERMINING VALIDITY AND AMOUNT OF CLAIMS.

4. GOC CHARGE BASED SOLELY ON PREMISE THAT VALIDITY AND AMOUNT SHOULD BE DETERMINED BY SOCIALIST LAWS OF CZECHOSLOVAKIA
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AND NOT APPLICABLE US LAW AND PRINCIPLES OF INTERNATIONAL

LAW AS ESPOUSED BY DEMOCRATIC AND WESTERN STATES AND APPLIED BY FCSC. REASONING OF GOC IS THAT IF SOCIALIST LAWS WERE APPLIED DOLLAR AMOUNT OF CLAIMS COULD NOT REMOTELY APPROACH \$72.6 MILLION.

5. REGARDING VALIDITY OF CLAIMS GOC TAKES POSITION THAT FOLLOWING TYPES OF CLAIMS WHICH HAVE BEEN ALLOWED BY FCSC ARE INVALID: (A) CLAIMS FOR LOSS OF SUB-SOIL MINERALS AND PETROLEUM; (B) CLAIMS OF PERSONS OF ETHNIC GERMAN AND HUNGARIAN NATIONALITY NOTWITHSTANDING SUCH PERSONS NATIONALS OF US ON DATE CLAIM AROSE; (C) CLAIMS OF PERSONS WHO ARE CONSIDERED WAR-TIME COLLABORATORS OR TRAITORS REGARDLESS WHETHER THEY CONVICTED IN ABSENTIA; (D) CLAIMS FOR DEPRIVATION OF ATTRIBUTES OF OWNERSHIP OF NATIONAL CULTURAL AND ART OBJECTS; AND (E) CLAIMS BASED UPON THE ANNULMENT OF BANK DEPOSITS IN OLD CURRENCY WHICH WERE ESTABLISHED PRIOR TO NOVEMBER 15, 1945.

6. REGARDING AMOUNT OF CLAIMS GOC OF VIEW (A) THAT ONLY WAY MINUS EXORBITANT RATES OF DEPRECIATION BECAUSE OF OVER-WORKING OF ENTERPRISES DURING WAR YEARS MINUS LIABILITIES. THEY REJECTED ALL METHODS EMPLOYED BY FCSC WHICH WOULD BE FAIR AND EQUITABLE TO CLAIMANTS INCLUDING GOOD-WILL, GOING CONCERN VALUE, USE OF FINANCIAL DATA EXTRACTED FROM APPROPRIATE VOLUMES OF COMPASS, THE FINANCIAL YEARBOOK FOR CZECHOSLOVAKIA, PUBLISHED BY COMPASS-VERLAG IN VIENNA, AUSTRIA, WHICH INCLUDED BALANCE SHEETS AND VOLUMINOUS FINANCIAL INFORMATION FOR CZECH CORPORATIONS; (B) THAT AWARDS FOR AGRARIAN PROPERTIES SHOULD HAVE BEEN PREMISED ON ALLOCATION VALUES ESTABLISHED BY GOC IN 1945 WHICH VALUE REDUCED 1939 VALUE OF PROPERTY BY 80 PERCENT TO 50 PERCENT DEPENDING UPON NUMBER OF HECTARES INVOLVED (C) THAT SO-CALLED HOUSE PROPERTIES SHOULD HAVE BEEN VALUED BY A MULTIPLE OF 13 TO 16 TIMES THE YEARLY RENT MINUS EXPENSES AND DEPRECIATION NOTWITHSTANDING THAT YEARLY RENT FIXED AT LOW RATE DEPENDING UPON GOVERNMENT-FIXED SALARY OF TENANT AND (D) THAT AWARDS FOR BUILDING LOTS AND GARDENS SHOULD NOT HAVE EXCEEDED A VALUE CALCULATED AT 4 TO 10 OLD CROWNS PER SQUARE METER AS ESTABLISHED BY DECREE.

7. BOTH WORKING GROUPS IN AGREEMENT ON FOLLOWING PRINCIPLES:
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- (A) WAR DAMAGE CLAIMS PROPERLY DENIED.
- (B) NEW CROWN BANK DEPOSITS PROPERLY DENIED.
- (C) GENERAL CREDITORS PENSION AND OTHER RELATED CLAIMS PROPERLY DENIED IN ABSENCE OF REPUDIATION OR ANNULMENT.
- (D) CLAIMS BY PERSONS WHO WERE NOT NATIONALS OF US WHEN CLAIMS AROSE PROPERLY DENIED.
- (E) LIFE INSURANCE POLICIES CLAIMS PROPERLY DENIED.
- (F) VALUE OF PROPERTIES PROPERLY DECREASED BY DEDUCT-

ING MORTGAGES, VALUES OF LIFE ESTATE AND REMAINDER INTERESTS,
INHERTIANCE TAXES, WAR DAMAGES AND OTHER RECORDED LIENS.

8. WE SUSPECT THAT CZECHS WENT THROUGH SESSIONS AT LEAST
PARTLY FOR RECORD AND HAVE TENTATIVE INDICATIONS THAT THEY
DO NOT PLAN TO PURSUE FRUITLESS LEGAL ARGUMENT THAT CZECH
LAW JUSTIFIES REDUCTION IN ADJUDICATED SUM OF FCSC.
WORTZEL

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